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Docket No. 2006-0387

For Approval of Rate
Increases and Revised
Rate Schedules.

PUBLIC UTILITIES
COMMISSION

2007 MAY 31 P 4:03

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TRANSCRIPT OF PROCEEDINGS

The above matter came on for a public hearing at Mitchell Pauole Center, 90 Ainoa Street, Kaunakakai, Molokai, Hawaii, commencing at 6:15 p.m., on Tuesday, April 24, 2007, pursuant to Notice.

BEFORE: CHAIRMAN CARLITO P. CALIBOSO
COMMISSIONER JOHN E. COLE

REPORTED BY: ADRIANNE IGE KURASAKI, CSR 388
Registered Professional Reporter

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PROCEEDINGS

COMMISSIONER CALIBOSO: Good evening. My name is Carlito Caliboso, Chairman of the Public Utilities Commission of the State of Hawaii. For this hearing, I am joined by Commissioner John Cole. This is the public hearing held by the Commission to receive public comments on Docket No. 2006-0387. This docket concerns the application of Maui Electric Company Limited, or MECO, filed on February 23rd, 2007 for Commission approval of rate increases and revised rate schedules.

The Division of Consumer Advocacy of Department of Commerce and Consumer Affairs, or Consumer Advocate, is also part of this proceeding. Representatives from MECO and personnel from the Consumer Advocate's office are present this evening and will be available after the public hearing to answer any questions that you may have.

Additionally, MECO will be given an opportunity to respond to any comments and views presented during this public hearing after all interested individuals have testified.

Anyone interested in testifying this evening should sign up at the table located at the side of the room.

With that, we will first begin with MECO, the Consumer Advocate, and then anyone from the public who

1 wishes to testify.

2 Mr. Ed Reinhardt, Maui Electric Company.

3 MR. REINHARDT: Good evening, Chairman Caliboso,
4 Commissioner Cole, and members of the audience. My name
5 is Edward Reinhardt, and I'm president of Maui Electric
6 Company.

7 Let me begin by thanking all of our customers who
8 came tonight to share their thoughts. It is important for
9 us to know what is important to all of you. We know that
10 any rate increase is not a happy event for any customer,
11 and we therefore never make the decision to apply for one
12 lightly. We also, however, need to do the right things by
13 our system, especially in maintaining reliable service.
14 And unfortunately, that sometimes means rate increases.

15 Millions of dollars have been invested in the
16 current Maui Electric facilities on Molokai. Since MECO's
17 last rate increase eight years ago, we invested
18 \$3.5 million in plant additions to continue to provide
19 reliable electric service for customers on Molokai. We
20 have an obligation to keep that system maintained and in
21 good working order for the customers and we will do so.

22 So with that as a background, let me discuss the
23 specifics of this particular rate increase. Tonight, I
24 will briefly cover how much of an increase we are asking
25 for, what the increase will be used for, and how it will

1 affect customer bills. In particular, I want to explain
2 the innovative new rate structures we are proposing to
3 help minimize the impact on lower income families and
4 those who conserve energy.

5 How much of an increase is MECO requesting and how
6 will it be structured?

7 MECO is requesting an overall net increase of
8 \$19 million on base revenues for Maui County in total.
9 For Molokai, we are seeking an increase of \$681,000 or
10 5.3 percent over present revenues. This proposed increase
11 is less than our studies show we should be requesting for
12 Molokai.

13 Setting rates according to the cost of providing
14 service would have resulted in a 9.7 percent increase for
15 customers on Molokai.

16 To mitigate the impact of such an increase, we
17 have decided to propose an equal percentage increase of
18 5.3 percent for Maui, Molokai, and Lanai. We have also
19 proposed opportunities for customers to save money and to
20 fairly shift more of the responsibility to those who
21 contribute the most to high electricity costs.

22 First, we are asking the Commission to approve a
23 residential tiered rate structure so that those who use
24 less electricity will pay lower rates. Under this plan,
25 the majority of customers on Molokai will see smaller

1 monthly increases in their electric bill, in the range of
2 2 percent to 4.4 percent. Those who use a lot of
3 electricity will see larger increases in their monthly
4 bill, for example, approximately 6.9 percent for residents
5 using 2000-kilowatt hours. This new tiered rate system
6 encourages energy conservation and efficiency and rewards
7 customers who use energy wisely. We have proposed similar
8 rate structures for the Big Island and Oahu.

9 At the same time, recognizing that some low-income
10 families have large households with higher electricity
11 use, we are also developing a provision to cap electric
12 rate applied for certain low-income households so that the
13 tiered rate system does not unduly burden these families.

14 Second, to encourage use during off-peak times
15 when power generation reserves are greater, the proposal
16 also includes a voluntary time-of-use rate option for
17 residential and commercial customers, which would provide
18 lower electric rates for off-peak usage times and higher
19 electric rates for peak usage times.

20 why is a rate increase needed?

21 Although one of the major reasons for MECO's
22 proposed increase is the addition of the M18 and M19
23 generating units at the Maalaea Generating Station on Maui,
24 the company has also experienced increased costs to
25 provide and maintain reliable service on Molokai since our

1 last rate increase eight years ago. This has included the
2 replacement of transformers at the Palauu and Puunana
3 substations, and underground main feeder replacements in
4 the Kuluakoi area.

5 Our responsibility to provide reliable electrical
6 service on Molokai also requires us to ensure proper
7 maintenance of our electrical equipment and facilities.

8 This includes more frequent inspections of utility
9 lines and poles, increased vegetation management to keep
10 our lines clear of trees and brush that could cause
11 service outages, and proper servicing of our power
12 generators.

13 What is the effect of a rate increase on customer
14 bills?

15 What most of our customers will want to know is
16 how will this increase affect my electric bill. If
17 approved, MECO's tiered-rate structure would provide
18 smaller percentage increases for those who use less
19 electricity. For example, if the full request is
20 approved, a typical residential customer on Molokai using
21 500-kilowatt hours a month would pay \$8.69 more, or about
22 a 5 percent increase instead of the overall 5.3 percent
23 increase.

24 Again, the tiered system we are proposing in
25 intended to encourage conservation and lessen the impact

1 on residential customers who use smaller amounts of
2 electricity. If approved, we anticipate the earliest a
3 rate increase might take effect is in late 2007.

4 In conclusion, thank you for this opportunity to
5 briefly describe our rate increase application. As I
6 mentioned earlier, we will be available after the public
7 hearing to answer your questions and concerns.

8 Thank you.

9 COMMISSIONER CALIBOSO: Thank you, Mr. Reinhardt.
10 Catherine Awakuni, Consumer Advocate's office.

11 MS. AWAKUNI: Thank you, Mr. Chairman.

12 Good evening, Chairman Caliboso and Commissioner
13 Cole. I'm Catherine Awakuni, Executive Director of
14 Division of Consumer Advocacy. The Division represents
15 the interests of consumers in public utility matters. And
16 to that end, I'm here this evening to listen to the
17 consumers' comments and concerns regarding Maui Electric
18 Company, Limited, or MECO's request for approval to
19 increase its rates and revise its rate schedules.

20 The Consumer Advocate's role is to represent the
21 interests of all Hawaii consumers of public utility
22 services by advocating for reliable utility services at
23 reasonable customer costs. To do this, the Consumer
24 Advocate is taking an independent look at MECO's request
25 for Public Utilities Commission approval of its rate

1 increase.

2 we will confirm whether there is a need for the
3 proposed rates and whether the rates proposed are
4 necessary to ensure the provision of reliable service.

5 After completing our review, we will file direct
6 testimonies with the Commission explaining our analysis
7 and recommendations. At this time, the Consumer Advocate
8 has not completed its analysis and is not able to state
9 its position on the merits of MECO's request this evening.

10 If this application goes to an evidentiary
11 hearing, the Division's analysts and consultants who
12 submit direct testimony will have an opportunity as
13 witnesses to orally summarize their written testimony
14 before the Commission, and because an evidentiary hearing
15 is a quasi-judicial proceeding, the witnesses will be
16 subject to thorough cross-examination by all parties.
17 Following the contested case hearing, the parties will
18 summarize their positions in post-hearing briefs.

19 The Commission will ultimately decide whether to
20 allow MECO to proceed with its request and we encourage
21 the public to express their opinions to the Commission
22 regarding MECO's proposal. Your input is important
23 because only you can tell us what effect the company's
24 proposal may have on you and the businesses you may
25 represent.

1 As we move forward, please feel free to contact
2 the Division's office at any time to share your thoughts,
3 concerns, and questions regarding this or any other
4 utility matter. And I'll note that I have copies of my
5 presentation with me, and it contains our contact
6 information.

7 Thank you for the opportunity to make this
8 presentation.

9 COMMISSIONER CALIBOSO: Thank you, Ms. Awakuni.

10 Is there anyone else who would like to testify
11 this evening, present comments?

12 Seeing none, at this time I'd like to ask
13 Commission counsel, Ji Sook Kim, to briefly explain what
14 will happen following this evening's proceeding.

15 MS. KIM: Those who are here to present written
16 comments or additional comments as applicable can submit
17 them to our Honolulu office at 465 South King Street,
18 Room No. 103, Honolulu, Hawaii 96813. Written comments
19 may also be submitted through e-mail at
20 hawaii.puc@hawaii.gov.

21 Those wishing to intervene or participate without
22 intervention in the proceeding must do so by Monday,
23 May 7, 2007, for a motion to intervene or participate
24 filed pursuant to Subchapter 4, Hawaii Administrative
25 Rules Title 6, Chapter 671, Rules of Practice and

1 Procedure before the Hawaii Public Utilities Commission.

2 This proceeding will be governed by regulatory
3 schedule which will be part of a procedural order that
4 will be issued by the Commission in this docket. Unless
5 waived by the parties, an evidentiary hearing on the
6 matters of this docket will be held after the parties have
7 conducted discovery pursuant to the regulatory schedule.

8 When the docket record is complete, the Commission
9 will make every effort to finish our deliberations and
10 issue our decision on this matter by November 23rd,
11 2007, as applicable and set forth by state law.

12 COMMISSIONER CALIBOSO: Thank you, Ms. Kim.

13 This concludes our public hearing. Thank you for
14 your testimonies and your attendance. Good night. We are
15 adjourned.

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17 (Proceedings concluded at 6:27 p.m.)
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C E R T I F I C A T E

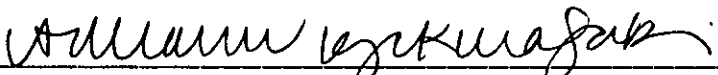
I, ADRIANNE IGE KURASAKI, C.S.R., in and for the State of Hawaii, do hereby certify:

That I was acting as shorthand reporter in the foregoing matter on Tuesday, the 24TH day of April, 2007;

That the proceedings were taken down in computerized machine shorthand by me at the time and place stated herein, and thereafter reduced to print under my supervision; that the foregoing represents, to the best of my ability, a correct transcript of the proceedings had in the foregoing matter;

I further certify that I am not counsel for any of the parties hereto, nor in any way interested in the outcome of the cause named in the caption.

Dated this 18TH day of May, 2007 in Honolulu, Hawaii.



Adrianne Ige Kurasaki, CSR 388
Registered Professional Reporter